

Message Text

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C O N F I D E N T I A L PANAMA 3106

EO 11652: GDS

TAGS: EMIN, PN

SUBJ: MINING: CERRO COLORADO DEVELOPMENTS

REF: (A) PANAMA 2044 (B) PANAMA 2897

1. GROUP WHICH WAS ACTIVE IN GOP-CANADIAN JAVELIN (CJ) NEGOTIATIONS HAS DEPARTED FOR NEW YORK AND CANADA FOR TALKS WITH BANKS AND MINING CONCERNS INTERESTED IN EXPLOITATION OF CERRO COLORADO COPPER DEPOSIT. IN NEW YORK THEY REPORT-EDLY WILL BE SEEKING \$600-800 MILLION IN FINANCING FOR PROJECT. GROUP CONSISTS OF RUBEN DARIO HERRERA, MEMBER LEGISLATIVE COMMISSION; JAIME ROQUEBERT, MINISTRY OF COMMERCE PROJECT LEADER FOR CERRO COLORADO; AND RODRIGO "RORY" GONZALEZ, BUSINESSMAN AND TORRIJOS CONFIDANT. SIMILAR GROUP VISITED NEW YORK IN MARCH, SHORTLY AFTER GOP-CJ TALKS STALLED, AND WENT ON TO CANADA FOR TOUR OF NORANDA MINES LTD. FACILITIES.

2. CJ LOCAL REP (LARUSH) HAS CONFIRMED TO ECONOFF REPORT FROM GOP SOURCE THAT FAILURE THUS FAR TO REACH AGREEMENT ON INDEMNIFICATION FOR CJ'S EXPLORATORY WORK REMAINS THE MAJOR OBSTACLE TO PROCEEDING WITH NEGOTIA-TIONS WITH OTHER INTERESTED PARTIES ON PROJECT. LARUSH SAID CJ EXPLORATION COSTS TOTALLED \$25 MILLION
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AND THAT \$125 MILLION FIGURE REPORTED IN PRESS AS

AMOUNT COMPANY IS DEMANDING FOR TOTAL COMPENSATION IS NOT UNREASONABLE IN VIEW OF RISKS IT TOOK AND RETURN IT COULD HAVE EXPECTED FROM AN EXPLOITATION CONTRACT. HE EXPECTS \$5 MILLION "DOWN PAYMENT" SHORTLY. (THIS PRESUMABLY WOULD BE FROM \$45 MILLION CITICORPS LOAN DESCRIBED REF B, SIGNING OF WHICH ANNOUNCED TODAY. GOP REPORTEDLY HAS ALSO CONTRACTED WITH A CITICORP AFFILIATE TO ASSIST IN FINDING FINANCING REQUIRED FOR CERRO COLORADO DEVELOPMENT.)

3. IF SUCCESSFUL IN ARRANGING FINANCING, GOP EXPECTED TO GIVE OPERATING CONTRACT TO MAJOR MINING FIRM WHILE RETAINING OVERALL CONTROL OF PROJECT. LARUSH BELIEVES NORANDA AND UNION MINIERE S.A. OF BELGIUM ARE FRONT-RUNNERS FOR SUCH CONTRACT AT PRESENT. ROQUEBEET REPORTEDLY STATED THAT GOP CURRENTLY NEGOTIATING WITH THESE TWO FIRMS PLUS TEXASGULF INC. (US) AND SELECTION TRUST LTD. (UK). A SOURCE CLOSE TO NEGOTIATIONS HAS INDICATED THAT KENNECOTT, WHICH ONCE CONSIDERED A PRIME CONTENDER, DID NOT PURSUE ITS INTEREST IN EXPLOITATION CONTRACT EITHER AGGRESSIVELY OR INTELLIGENTLY AND HAS NOW TAKEN ITSELF OUT OF THE COMPETITION.
JORDEN

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